

**REPORT OF THE AUDIT OF THE
OWSLEY COUNTY
CLERK**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OWSLEY COUNTY CLERK

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts was engaged to complete the Owsley County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, we have disclaimed an opinion on the financial statement and supplemental information.

Based upon our assessment of audit risk, we determined the risk of fraud to be too high to issue an opinion and we were unable to apply other audit procedures to overcome this risk. In addition, the County Clerk's office had serious weaknesses in the design and operation of its internal control procedures and accounting functions.

Report Comments:

- 2009-01 The County Clerk Failed To Manage The Financial Activities Of His Office
- 2009-02 The County Clerk Should Improve Internal Control Procedures By Maintaining Accurate Accounting Records And Account For All Receipts And Disbursements Properly
- 2009-03 The County Clerk Deposited \$49,100 Of Unidentified Cash Receipts After Year-End
- 2009-04 \$41,092 Of Receipts Were Not Deposited Due To Deposits Not Being Made Intact Daily
- 2009-05 The County Clerk Should Prepare Receipts For All Collections
- 2009-06 The County Clerk Had \$1,307 In Disallowed Expenditures
- 2009-07 1099's Should Be Prepared For All Applicable Contract Labor
- 2009-08 The County Clerk Did Not Account For Fish And Wildlife Collections
- 2009-09 The Clerk Should Follow Proper Timekeeping Practices For Payroll
- 2009-10 The County Clerk Did Not Reconcile Bank Statements On A Monthly Basis
- 2009-11 The Clerk Should Pay Invoices In A Timely Manner
- 2009-12 The County Clerk Should Record Payments From The Commonwealth Of Kentucky And The Fiscal Court
- 2009-13 The County Clerk Has Not Properly Closed Out His 2008 Fee Account
- 2009-14 The County Clerk Has Not Properly Closed Out His 2007 Fee Account
- 2009-15 The County Clerk Has Not Properly Closed His 2006 Fee Account
- 2009-16 Failure To Comply With Uniform System Of Accounts
- 2009-17 The Clerk Should Maintain Adequate Documentation Of UPS Mailings

Deposits:

The County Clerk's deposits were insured by FDIC insurance.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Cale Turner, Owsley County Judge/Executive
The Honorable Sid Gabbard, Owsley County Clerk
Members of the Owsley County Fiscal Court

Independent Auditor's Report

We were engaged to audit the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Owsley County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the County Clerk.

As further explained in the accompanying comments and recommendations, the Owsley County Clerk did not maintain adequate accounting records of fee account revenues and expenditures for the 2009 calendar year. The County Clerk's financial records do not permit the application of other auditing procedures to verify fee account revenues and expenditures. Furthermore, significant discrepancies in the County Clerk's records identified during the engagement and lack of adequate internal controls resulted in a high level of audit risk.

Since Owsley County Clerk did not maintain adequate accounting ledgers and we were unable to apply other auditing procedures to satisfy ourselves as to the receipts and disbursements, the scope of our work was not adequate to enable us to express, and we do not express, an opinion on the financial statement described in the first paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2010 on our consideration of the Owsley County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- 2009-01 The County Clerk Failed To Manage The Financial Activities Of His Office
- 2009-02 The County Clerk Should Improve Internal Control Procedures By Maintaining Accurate Accounting Records And Account For All Receipts And Disbursements Properly
- 2009-03 The County Clerk Deposited \$49,100 Of Unidentified Cash Receipts After Year-End
- 2009-04 \$41,092 Of Receipts Were Not Deposited Due To Deposits Not Being Made Intact Daily



The Honorable Cale Turner, Owsley County Judge/Executive
The Honorable Sid Gabbard, Owsley County Clerk
Members of the Owsley County Fiscal Court

2009-05	The County Clerk Should Prepare Receipts For All Collections
2009-06	The County Clerk Had \$1,307 In Disallowed Expenditures
2009-07	1099's Should Be Prepared For All Applicable Contract Labor
2009-08	The County Clerk Did Not Account For Fish And Wildlife Collections
2009-09	The Clerk Should Follow Proper Timekeeping Practices For Payroll
2009-10	The County Clerk Did Not Reconcile Bank Statements On A Monthly Basis
2009-11	The Clerk Should Pay Invoices In A Timely Manner
2009-12	The County Clerk Should Record Payments From The Commonwealth Of Kentucky And The Fiscal Court
2009-13	The County Clerk Has Not Properly Closed Out His 2008 Fee Account
2009-14	The County Clerk Has Not Properly Closed Out His 2007 Fee Account
2009-15	The County Clerk Has Not Properly Closed His 2006 Fee Account
2009-16	Failure To Comply With Uniform System Of Accounts
2009-17	The Clerk Should Maintain Adequate Documentation Of UPS Mailings

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Owsley County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

September 20, 2010

COUNTY CLERK'S 4TH QUARTER REPORT AND
ANNUAL SETTLEMENT FOR CALENDAR YEAR 2009

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COUNTY CLERK'S 4TH QUARTER REPORT AND
ANNUAL SETTLEMENT FOR CALENDAR YEAR 2009

LF 1142.001 Rev. 11/07

Form For Budget, Cumulative Quarterly Report and Annual Settlement For Calendar Year 2009

OWSLEY County Clerk

Part One - Summary and Reconciliation of All Accounts

Show & Describe All Accounts	Column 1 2009 Fee Account Budget Estimate	Column 2 2009 Fee Account Cumulative Actual	Column 3 Account (NOT FEE ACCOUNT)	Column 4 Account (NOT FEE ACCOUNT)	Column 5 Account (NOT FEE ACCOUNT)
1. Receipts YTD	608669.44	635231.61			
2. Total Disbursements YTD	608669.44	626021.03			
3. Book Balance/Excess Fees	0	9210.58			
4. Bank Statement Balance		8873.87			
5. Plus Deposits in Transit		10445.81			
6. Less Outstanding Checks		2129.10			
7. Other					
8. Reconciled Bank Balance		9210.58			
9. Accounts Receivable as of 12/31					
10. Unpaid Obligations as of 12/31					
11. Excess Fees					

Instructions: This form is the required format for the budget and the quarterly report. BUDGET: After completing the budget estimate columns of Parts One, Two and Three, submit to the fiscal court for approval by January 15th and following approval submit to the local finance officer. QUARTERLY REPORT: The quarterly report is cumulative. Show the status of all funds in the official's charge during calendar year to date in Part One. Line 1 Show total receipts on a cash basis for the year to date including any beginning balances for all accounts. Show current year fee account in column 2 as calculated in Part Two of report. Line 2 Show total disbursements on a cash basis for the year to date for all accounts. Show current year fee account in column 2 as calculated in Part Three of report. Line 3 Show difference between lines 1 and 2 for all accounts. Line 4 Show bank statement balance(s) at close of quarter. Line 5 Show total deposits made prior to close of quarter that are not reflected in bank statement(s). Line 6 Show total amount of checks issued prior to close of quarter that are not reflected in bank statement(s). Line 7 Show investments. Line 8 Show line 4 adjusted for lines 5, 6, and 7. Line 8 should equal line 3 for all accounts. Line 9 Complete for quarter ending 12/31. Show calculation in Part Two of report. Line 10 Complete for quarter ending 12/31. Show calculation in Part Three of report. Line 11 Complete for quarter ending 12/31. Show line 8 adjusted for lines 9 and 10. All debt to be shown in Part Four. Report due to: State Local Finance Officer, 1024 Capital Center Drive, Suite 340, Frankfort, KY 40601-5204 by the 30th day following the close of each quarter. Fax # 502-573-3712 / Ph # 502-573-3710.

Approved by the fiscal court on the 7 day of February, 2009

Walter County Judge/Executive Date 2-9-2009

To the best of my knowledge the information reported herein for the budget/quarter ended 12-31-09 is accurate and complete.

Sid Gabbard Signature of County Clerk Date 2-9-2010

County Clerk's Budget and Report

All Accounts

OWSLEY COUNTY
 SID GABBARD, COUNTY CLERK
 COUNTY CLERK'S 4TH QUARTER REPORT AND
 ANNUAL SETTLEMENT FOR CALENDAR YEAR 2009
 (Continued)

Part Two Receipts	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Accounts Receivable 12/31
1. Federal Grants/Reimbursements							
2. State Grants							
3. State Fees For Services							
4. Fiscal Court							
5. Revenue Supplement (< 20,000 pop)	600,000.00	570,000.00				1,500.00	
6. Licenses and Taxes						6,000.00	
7. Motor Vehicle:						57,000.00	
8. Licenses and Transfers	185,000.00	475,900.82	43,996.36	39,547.80	290,582.20	1,600,050.80	
9. Usage Tax	108,769.44	31,785.52	2,890.57	3,020.17	20,085.83	170,987.49	
10. Tangible Personal Property Tax	250,000.00	16,140.68	54,543.84	43,884.39	46,699.75	211,268.66	
11. Notary Fees							
12. Licenses: (describe)							
13. Fish and Game	175,000.00	55,470.00	5,693.00	13,470.00	40,600.00	16,649.00	
14. Marriage	1,000.00	284.00	426.00	396.50	345.00	1,445.50	
15. Occupational							
16. Beer & Liquor							
17. Beer & Liquor							
18. Beer & Liquor							
19. Beer & Liquor							
20. Deed Transfer Tax	3700.00	758.50	647.10	503.10	647.50	3556.70	
21. Delinquent Taxes	12,610.00	12,535.06	4,744.43	8,562.77		25,972.26	
22. Fees Collected for Services							
23. Recordings:							
24. Deeds, Easements, and Contracts	2500.00	550.00	678.00	546.00	467.00	2,447.00	
25. Real Estate Mortgages	1100.00	289.00	284.00	326.00	450.00	1,345.00	
26. Chattel Mortgages & Financing Stimmis	14000.00	2464.00	2241.00	2580.00	2121.00	9409.00	
27. Powers of Attorney	600.00	40.00	44.00	72.00	40.00	201.00	
28. All Other Recordings	3500.00	823.00	604.00	622.00	569.00	2,618.00	
29. Charges for Other Services:							
30. Copywork	3500.00	1854.00	104.00	1320.00	1955.00	6193.00	
31. Postage	7605.00	1374.00	720.00	1128.00	1528.00	4750.00	

All Accounts

County Clerk's Budget and Report

Part Two (continued) Receipts	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Accounts Receivable 12/31
32. Other: (describe)							
33. Candidate Filing Fee							
34. C.O. Reimb	1500.00		588.00	588.00	588.00	1764.00	
35. Interest Earned							
36. J.R. EN FEES	3400.00	702.00	934.00	862.00	700.00	3198.00	
37. Total Revenues							
38. Petty Cash							
39. Borrowed Money							
40. Total Receipts	108,069.44	229,730.58	150,841.72	137,797.23	116,862.08	635,331.61	

Copy the figures across lines 40 in the Budget Estimate column to the Summary on page 1, column 1, line 1. Copy the figures across lines 40 in the Total YTD column to page 1, column 2, line 1. Copy the figure for receipts from lines 32-40 in the Budget Estimate column to the Summary on page 1, column 1, line 8.

Receipts from lines 32-40 in the Budget Estimate column to the Summary on page 1, column 1, line 8.

Part Three Disbursements	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	1231 Unpaid Obligations
1. Payments to State (describe)							
2. Motor Vehicle:							
3. Licenses & Transfers	103,500.00	9370.64	43,908.86	18,736.17	220,383.33	180,971.00	
4. Usage Tax	9,000.00	3,005,260	27,871.52	29,176.55	15,832.40	106,959.07	
5. Tangible Personal Prop Tax	91,000.00	14,690.10	35,616.69	17,945.19	194,833.71	80,685.59	
6. Licenses: (describe)							
7. Fish & Game	18,500.00	3880.25	6944.75	1012.75	6008.25	17865.50	
8. Marriage Licenses							
9.							
10. Delinquent Tax	1150.00	381.45	1003.95	350.15	230.64	2164.19	
11. Legal Process Tax	4800.00	617.24	978.70	990.19	1405.81	3991.94	
12. Other Services							
13. Payments to Fiscal Court (describe)							
14. Tangible Personal Property Tax	26,000.00	3597.42	6765.62	4185.33	16277.98	21505.15	
15. Delinquent Tax	1600.00	613.69	1661.22	880.21	346.80	3801.92	
16. Deed Transfer Tax	3600.00				2789.71	2789.71	
17. Occupational Licenses							
18. Beer & Liquor Licenses							

OWSLEY COUNTY
 SID GABBARD, COUNTY CLERK
 COUNTY CLERK'S 4TH QUARTER REPORT AND
 ANNUAL SETTLEMENT FOR CALENDAR YEAR 2009
 (Continued)

LF 1142.005 Rev. 11/07

Part Three (continued) Disbursements	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	12/31 Unpaid Obligations
19. Fiscal Court/Tax Bill Prep							
20.							
21. Payments to Other Districts (describe)							
22. Tangible Personal Property Tax	113,500.00	165,113.1	31733.48	22877.54	36143.97	167266.35	
23. Delinquent Tax	5500.00	1824.28	5876.17	3242.37	1485.27	12448.09	
24.							
25. Payments to Sheriff	160.00	55.10	163.00	80.00	25.00	385.10	
26.							
27. Payments to County Attorney	1800.00	774.14	1660.70	851.46	397.34	3685.34	
28.							
29. Personal Services Pay Roll	132,559.44	17305.68	17683.67	22218.18	33263.50	90471.03	
30. County Clerk's Gross Salary							
31. County Clerk's Expense Allowance							
32. Deputies Gross Salaries W/H					43642.14	43642.14	
33. Part Time Gross Salaries							
34. Overtime Gross							
35. Unemployment Insurance							
36. Employee Benefits							
37. Employer's Share S.S. (7.65%)							
38. Employer's Share Ret.							
39. Employer Paid Health Insurance							
40. Other Payroll Disbursements							
41. Training Fringe Benefit (HB 810)							
42. Contracted Services							
43. Fish & Game							
44. Advertising							
45. Printing & Binding							

All Accounts

County Clerk's Budget and Report

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COUNTY CLERK'S 4TH QUARTER REPORT AND
ANNUAL SETTLEMENT FOR CALENDAR YEAR 2009
(Continued)

Part Three (continued) Disbursements	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	12/31 Unpaid Obligations
46. ELECTION EXPENSE	0	90.00		100.00		190.00	
47. Supplies & Materials (describe)					25.00	25.00	
49. Office Supplies	1600.00	303.76	481.48	452.43	316.32	1553.99	
50. PHONE	1800.00	613.45	629.34	1012.25	262.35	2517.41	
51. Other Charges (describe)							
52. Conventions & Travel							
53. Dues HONOR							
54. Postage	4500.00	1555.31	801.83	837.17	572.77	3767.03	
55. Misc	2000.00	373.60	354.44	647.12	678.35	1714.11	
56. CONTRACT 420K	2500.00						
57. Debt Service (Borrowed money, interest, lease/purchase)							
58. Principal on Note							
59. Interest							
60. Computer Lease							
61. Capital Outlay (Outright purchase or tangible items lasting 12 months)							
62. Office Equipment							
63. Vehicle							
64.							
65.							
66.							
67. Total							
For offices that fee pool, pay fees to county prior to December 31, or counties over 70,000 in population, show payments made on lines 68 and 69.							
68. Payments to County Treasurer							
69. Payments to State Treasurer							
70. Total Disbursements	Enter total of lines 67, 68 and 69 on line 70	112459.32	177362.34	132424.13	206784.35	628630.14	

Copy the figure shown on line 70 in the Budget Estimate column to the Summary on page 1, column 1, line 2. Copy the figure shown on line 70 in the Total YTD column to page 1, column 2, line 2. Copy the figure shown on line 70 in the Unpaid column (use for 12/31 report only) to page 1, line 10.

OWSLEY COUNTY
 SID GABBARD, COUNTY CLERK
 COUNTY CLERK'S 4TH QUARTER REPORT AND
 ANNUAL SETTLEMENT FOR CALENDAR YEAR 2009
 (Continued)

Part Four - Liabilities Outstanding

Form For Budget, Cumulative
 Quarterly Report and Annual
 Settlement For Calendar Year
 2009

Quarter ended December 31, 2009

Where Budgeted			Totals
Description			
Term (# of Years)			
Current Interest Rate			
Issue Date			
Total Principal Amount			
Total Interest Amount			
Total Issue			
Principal Balance Remaining			
Interest Balance Remaining			
Less Reserve Earnings			
Net Outstanding			
Next Payment Date			
Next Payment Amount			
Final Payment Date			
Where Budgeted			
Description			
Term			
Current Interest Rate			
Issue Date			
Total Principal Amount			
Total Interest Amount			
Total Issue			
Principal Balance Remaining			
Interest Balance Remaining			
Total Outstanding			
Next Payment Date			
Next Payment Amount			
Final Payment Date			

Comments:

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Cale Turner, Owsley County Judge/Executive
The Honorable Sid Gabbard, Owsley County Clerk
Members of the Owsley County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We were engaged to audit the statement of revenues, expenditures, and excess fees - regulatory basis of the Owsley County Clerk for the year ended December 31, 2009, and have issued our report thereon dated September 20, 2010, wherein we disclaimed an opinion on the financial statement because the County Clerk failed to maintain adequate accounting records and lacked adequate internal controls resulting in high audit risk and fraud risk.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Owsley County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2009-01, 2009-02, 2009-03, 2009-04, 2009-05, 2009-06, 2009-07, 2009-08, 2009-09, 2009-10, 2009-11, 2009-12, 2009-13, 2009-14, 2009-15, 2009-16, and 2009-17 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Owsley County Clerk's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendation as items 2009-01, 2009-02, 2009-03, 2009-04, 2009-05, 2009-06, 2009-07, 2009-08, 2009-09, 2009-10, 2009-11, 2009-12, 2009-13, 2009-14, 2009-15, 2009-16, and 2009-17.

The Owsley County Clerk's responses to the findings identified in our audit ~~are described in our audit~~ are ~~described~~ included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Owsley County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

September 20, 2010

COMMENTS AND RECOMMENDATIONS

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2009

FINANCIAL STATEMENT FINDINGS

2009-01 The County Clerk Failed To Manage The Financial Activities Of His Office

Auditors have not been able to express an unqualified opinion on the County Clerk's financial statements for the past nine years including the current engagement. Recommendations have been made for at least the last nine years by three different auditing firms in an attempt to help the County Clerk understand how he could easily correct his poor financial practices and internal controls. The County Clerk has made some improvements, however until all deposits are made intact daily and all receipts are posted to the receipts ledgers, fraud risk factors will not be decreased enough to issue an opinion on the financial statements.

Improvement in his financial practices and internal controls are needed to ensure that proper information is submitted in a timely manner and is not misleading to users of the information. This internal control deficiency creates an environment for potential material misstatements in the financial statements caused either by error or fraud. We recommend the County Clerk improve his internal control procedures related to financial reporting, and be more diligent in the day-to-day operations of the office. Without the County Clerk taking an active approach to correcting his poor financial practices, taxpayer monies will continue to be at risk. In addition, various local and state agencies, which rely on and monitor the financial and program activity of the County Clerk, cannot rely on or have any confidence in the reports submitted by the County Clerk.

After December 31, 2009, the Clerk deposited \$49,100 of unidentified cash receipts. However, additional funds of \$4,953 are necessary to close out the 2009 fee account. Therefore, \$54,053 of funds will have been deposited after the end of the 2009 calendar year to cover all of the fee account liabilities. Based on available information obtained by auditors, the Clerk should perform the following to close out the 2009 Fee bank account:

- Deposit \$1,307 of identifiable personal funds to reimbursement the 2009 fee account for disallowed expenditures.
- Deposit \$3,646 from 2008 fee account for 2008 expenses paid by the 2009 fee account.
- Pay \$380 to the extension district for tangible taxes.
- Pay \$102 to the county attorney for delinquent taxes.
- Pay \$51 to the City of Booneville for delinquent taxes.
- Pay \$1,273 to the Clerk as additional salary due for 2009.
- Pay \$17,494 to the County as excess fees due for 2009.

County Clerk's Response: Will Correct.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2009
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2009-02 The County Clerk Should Improve Internal Control Procedures By Maintaining Accurate Accounting Records And Account For All Receipts And Disbursements Properly

The County Clerk did not maintain adequate financial records for the 2009 fee account. During our testing of receipts and disbursements, we noted the following known errors:

- A total of \$49,100 of unidentified cash receipts was deposited after year-end to cover a shortage in the 2009 fee account. These deposits could not be directly attributed to any 2009 tax collections or other fees of the County Clerk's office.
- \$41,092 of undeposited receipts was noted during comparison of daily checkout sheets to deposits into the fee account.
- \$86,004 of receipts included on the quarterly report was not posted in the receipts ledgers. These receipts consisted of state payments, county payments and payments received for UPS mailings.
- No receipts were issued for collections of state payments, county payments and funds collected from citizens for UPS mailings.
- State and county payments as well as funds collected from citizens for UPS mailings were not included on daily checkout sheets and were not posted to ledgers.
- Deposits were not made intact daily and did not agree to the daily checkout sheets and the receipts ledger.
- Funds collected from citizens for UPS mailings were not accounted for properly and no determination of appropriate reimbursement from the public could be made.
- Quarterly report disbursements were overstated by \$6,228 from total cancelled checks.
- \$1,307 of disallowed expenditures was noted including \$1,101 of overdraft charges incurred by the clerk in the 2009 fee account and the fish and game account for 2009 calendar year, and \$206 of late fees and undocumented reimbursements.
- The County Clerk paid a total of \$2,800 to an individual for contract labor and did not prepare 1099s or report these earnings to the appropriate agencies.
- No leave balances were maintained for one deputy.
- The County Clerk did not account for fish and wildlife collections properly.
- The County Clerk did not reconcile bank statements to the ledgers on a monthly basis.
- 7 invoices were noted that were not paid timely.
- The County Clerk did not properly close out his 2008 fee account.
- The County Clerk did not properly close out his 2007 fee account.
- The County Clerk did not properly close out his 2006 fee account.

Lack of any controls over the operations of the office and a lack of or poor oversight by the County Clerk resulted in numerous errors noted on the financial records.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2009
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2009-02 The County Clerk Should Improve Internal Control Procedures By Maintaining
Accurate Accounting Records And Account For All Receipts And Disbursements
Properly (Continued)

Because internal controls do not exist to prevent and/or detect these types of errors and because the County Clerk did not implement any type of oversight controls, these types of errors are allowed to occur. Reports remitted to external agencies, such as the Department for Local Government, are misleading, calculations for excess fees due fiscal court are erroneous, and calendar year receipts are erroneously used in other years. In addition, taxpayer dollars are at greater risk for misappropriation of use.

The County Clerk's office has a lack of segregation of duties which further contributes to the inability to rely on his financial information. The County Clerk maintains the receipt and disbursement ledgers, makes the bank deposits, and mails checks for payment. Good internal controls dictate the same employee should not receive payments, record receipts and prepare checks for payment.

We recommend the County Clerk immediately implement controls and oversight over his office to assure errors of this magnitude are prevented or detected in a timely manner and maintain accurate financial reports in the future as required.

County Clerk's Response: Will Correct.

2009-03 The County Clerk Deposited \$49,100 Of Unidentified Cash Receipts After Year-
End

The County Clerk deposited \$49,100 of unidentified cash receipts after year-end to cover a shortage in his 2009 fee account. These deposits are unidentified and could not be directly attributed to any 2009 tax collections or other fees attributed to the County Clerk's office. The County Clerk has stated to auditors that the unidentified receipts are from his own personal funds. However, the County Clerk did not provide any financial documentation or records supporting the source of the funds. Because the County Clerk continues the practice of producing insufficient financial records over receipts, we could not eliminate the possibility that these "cash" deposits were from 2010 cash payments received by the County Clerk. The County Clerk should only use current year official receipts for current year expenditures in order to clearly identify the intent of the receipt. We recommend the County Clerk appropriately account for and document all receipts.

County Clerk's Response: Will Correct.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2009
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2009-04 \$41,092 Of Receipts Were Not Deposited Due To Deposits Not Being Made Intact
 Daily

The County Clerk's daily checkout sheets and receipts ledger postings did not agree to bank deposits. The minimum requirements pursuant to KRS 68.210 for the handling of public funds require deposits be made intact daily into a federally insured banking institution. Based on comparison of the daily checkouts to the bank deposits during calendar year 2009, we noted undeposited receipts of \$41,092. These undeposited receipts were then covered by the unidentified deposits made after year-end as noted in comments 2009-01 and 2009-03. Furthermore, we noted that cash deposited into the fee account totaled amounts in \$100 increments, no coins appear to have been deposited. Large portions of daily transactions are cash payments from taxpayers. Due to the high fraud risk associated with these cash transactions, it is crucial that the County Clerk's office deposit all collections on a daily basis and agree these deposits back to supporting documents. Daily deposits will help prevent the likelihood of misstatement or fraud occurring without being detected.

The County Clerk should start each business day with a set amount of startup cash. This startup cash should remain in the cash drawer at the end of each business day. The total amount collected on any business day, less the startup funds, should agree to the daily activity reflected on the daily checkout sheet. This amount should then agree to the amount deposited in the bank for the day. Any variances between the amount deposited and the amount reflected on the daily checkout sheet should be investigated by the official and a reconciliation of the difference should be shown on the daily checkout sheet.

We recommend all collections for each business day be deposited intact daily including any coins and then reconciled to the daily checkout sheet and the receipts ledger. Any discrepancies between the daily checkout sheets and receipts ledger to the bank deposits should be investigated and explained.

County Clerk's Response: Will Correct.

2009-05 The County Clerk Should Prepare Receipts For All Collections

The County Clerk did not prepare receipts for funds received from the Commonwealth of Kentucky and Owsley County Fiscal Court. According to KRS 64.840, "the county clerk shall, upon the receipt of fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer." The preparation of receipts for all funds received begins the receipts process and will ensure all receipts are included on the daily checkouts and receipts ledger. We recommend the County Clerk prepare receipts for all monies received by his office either in the office or by mail.

County Clerk's Response: Will Correct.

OWSLEY COUNTY
 SID GABBARD, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2009
 (Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2009-06 The County Clerk Had \$1,307 In Disallowed Expenditures

The County Clerk had \$1,307 in disallowed expenditures including \$1,101 of bank overdraft fees, \$153 of late fees, and \$52 of undocumented reimbursement. Items such as bank overdraft fees, late payment fees, and undocumented reimbursements from the Clerk's office are not necessary expenses of the office and are reflective of poor management practices. In **Funk vs. Milliken 317 S.W.2d 499 (KY 1958)**, Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. We recommend the County Clerk only expend fee account monies for allowable purposes and have the proper supporting documentation for each payment. We also recommend the Clerk deposit \$1,307 of personal funds to reimburse the fee account the disallowed expenditures.

County Clerk's Response: Will Correct.

2009-07 1099's Should Be Prepared For All Applicable Contract Labor

As the trustee/agent, the Clerk is responsible for reporting contract labor payments to the appropriate agencies in a timely manner. The Clerk paid a total of \$2,800 to an individual for contract labor that should have been reported as taxable income. The Internal Revenue Service requires the form 1099 be issued to individual contractors for services resulting in income of \$600 or more. We recommend the Clerk immediately take the appropriate steps necessary to assure 1099's are prepared and submitted. We will refer these matters to the Internal Revenue Service and the Kentucky Department of Revenue for review.

County Clerk's Response: Will Correct.

2009-08 The County Clerk Did Not Account For Fish And Wildlife Collections

During our testing of the Fish and Wildlife account we noted the following:

- The fish and wildlife account had a negative bank balance in all months.
- \$957 of bank charges was incurred for non-sufficient funds and overdraft charges.
- The County Clerk stated that he only made a deposit in this account after the bank called and told him how much he needs to deposit in order to bring his account balance back to zero.
- The County Clerk had no system of accounting for these collections and did not reconcile the account.
- As of December 31, 2009, the County Clerk had a negative \$3,366 balance in the bank account. Funds were deposited to cover deficit balance on January 20, 2009.

We recommend the County Clerk properly administer the Fish and Wildlife collections by making daily deposits, reconciling this account to ledgers and eliminating all bank overdraft charges.

County Clerk's Response: Will Correct.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2009
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2009-09 The Clerk Should Follow Proper Timekeeping Practices For Payroll

During our audit, we noted that one deputy's timesheet did not account for any leave balances. Good internal controls dictate that supervisors record vacation and sick leave balances in order to assure leave time is accurate and properly maintained. We recommend the Clerk ensure all employees' timesheets include all approved time off and accumulated balances.

County Clerk's Response: Will Correct.

2009-10 The County Clerk Did Not Reconcile Bank Statements On A Monthly Basis

The County Clerk did not reconcile all bank statements to ledgers on a monthly basis. The County Clerk does not reconcile his financial records to bank activity which increases the risk that errors may occur and go undetected. We recommend the County Clerk reconcile bank statements monthly to the ledgers and/or financial statements.

County Clerk's Response: Will Correct.

2009-11 The Clerk Should Pay Invoices In A Timely Manner

During our audit, we tested 46 expenditures. Of these 46 expenditures, we noted 7 invoices were not paid within thirty days of receipt or included past due balances. Late fees are applicable once an invoice becomes 30 days delinquent. Since late fees are unnecessary and disallowed expenses, we recommend the Clerk pay all invoices within thirty days of receipt and reimburse the fee account for \$153 in late fees incurred during calendar year 2009 as discussed in comment #2009-06.

County Clerk's Response: Will Correct.

2009-12 The County Clerk Should Record Payments From The Commonwealth Of Kentucky And The Fiscal Court

The County Clerk did not record all payments received from the Commonwealth of Kentucky and the Owsley County Fiscal Court. The Uniform System of Accounts as adopted under KRS 68.210 and KRS 43.075(3) requires the official to maintain accurate recording of receipts by source. Auditors performed test procedures on these payments and noted that these payments were not recorded on the daily checkout sheets or in the receipts ledger. The only recording of these payments was made on the Quarterly Report, and those amounts did not agree to confirmations of state and county payments. Based on the lack of documentation associated with state and county payments, auditors are unable to determine if the funds were misappropriated. We recommend the County Clerk record payments from the Commonwealth of Kentucky and the Fiscal Court on the daily checkout sheets and the receipts ledgers.

County Clerk's Response: Will Correct.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2009
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2009-13 The County Clerk Has Not Properly Closed Out His 2008 Fee Account

Based on the available information obtained by auditors, the Clerk should perform the following to close out his 2008 Fee year:

- Deposit \$3,646 of identifiable personal funds into the 2008 Fee Account for disallowed expenditures. This increased by \$149 from the prior year due to additional overdraft fees and service charges accrued since August 6, 2009.
- Pay \$135 to the 2009 Fee account for Fish and Game licenses sold from December 11-December 31, 2008 paid by 2009 fee account.
- Pay \$1,047 to the 2009 fee account for 2009 collections deposited into the 2008 fee account.
- Pay \$2,464 to the 2009 fee account for force debit made by the bank to close the 2008 fee account due to the negative balance.

County Clerk's Response: Will Correct.

2009-14 The County Clerk Has Not Properly Closed Out His 2007 Fee Account

Based on available information obtained by auditors, the Clerk should perform the following to close out the 2007 Fee bank account:

- Collect \$857 from 2006 Fee Account for delinquent taxes improperly paid by the 2007 Fee Account.
- Deposit \$1,465 of identifiable personal funds into the 2007 Fee Account for disallowed expenditures.
- Pay himself \$1,740 for under payment of his 2007 salary.
- Pay \$97 to the 2006 Fee Account for overpayment of delinquent taxes deposited into 2007 Fee Account.
- Pay \$44 to the City of Booneville for a check that remains outstanding.
- Pay \$410 to the Soil Conservation District for a check that remains outstanding.
- Pay \$76 to the 2006 Fee Account for amounts overpaid to Fish and Game Account.
- Deposit \$48 of identifiable personal funds into the 2007 Fee Account to close this bank account. The \$48 is not an audited deficit amount. Auditors have disclaimed the audit opinion and are not expressing an opinion of the financial statements. These monies are what will be needed to pay all liabilities found for the 2007 fee account.

County Clerk's Response: Will Correct.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2009
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2009-15 The County Clerk Has Not Properly Closed His 2006 Fee Account

The County Clerk did not properly close out his 2006 Fee Account. The Clerk should take the following steps in order to close out the account:

- Deposit \$694 of identifiable personal funds into the 2006 Fee Account.
- Collect \$97 from the 2007 Fee Account and deposit into the 2006 Fee Account for overpayment of a delinquent tax bill collected in wrong year.
- Collect \$76 from the 2007 Fee Account on behalf of an overpayment to the Fish and Game Account, then deposit into the 2006 Fee Account.
- Pay the 2007 Fee Account \$857 for a liability of the 2006 Fee Account that was improperly paid by the 2007 Fee Account.
- Pay \$10 to the City of Booneville that is yet to be paid.
- Close the 2006 Fee Account after all items have cleared.

We recommend the County Clerk properly close out his 2006 Fee Account.

County Clerk's Response: Will Correct.

2009-16 Failure To Comply With Uniform System Of Accounts

The findings above represent failure to comply with the Uniform System of Accounts as adopted under KRS 68.210 and KRS 43.075(3). Among other provisions, this statute requires the official to maintain accurate recording of receipts by source and expenditures by payee, and to fulfill all other legal requirements relating to the management of public funds by his office, including all publication requirements. The requirements for uniform formats for audit reports shall require that the format of reports for each category of county or district office shall be uniform.

We recommend the County Clerk meet the minimum standards of accountability in compliance with the Uniform System of Accounts.

County Clerk's Response: Will Correct.

2009-17 The Clerk Should Maintain Adequate Documentation Of UPS Mailings

During our audit, we noted approximately 50 UPS packages being shipped for non-business reasons. Upon inquiry of the County Clerk's mailing practices, the County Clerk informed auditors that, as a courtesy to the public, he allows them to ship UPS via his account. He stated that they reimburse him this expense, he deposits it into his fee account, and he pays the UPS invoice upon receipt. Since the County Clerk does not issue receipts for these reimbursements nor maintain any documentation, auditors were unable to verify that all non-business package expenses were reimbursed to the County Clerk. We recommend the County Clerk create a separate bank account for the deposit and disbursement of all non-business package reimbursements and expenses. We further recommend procedures be in place to document all UPS mailings.

County Clerk's Response: Will Correct.

